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Nonfarm Enterprise Loans

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Nonfarm Enterprise Loans

The Farmers Home Administration (FmHA) makes loans to family farmers and ranchers and gives technical and management assistance for development and operation of nonfarm enterprises to supplement farm income. Each person applying for credit gets equal consideration without regard to race, color, religion, age, sex, handicap, marital status, or national origin. Applications of eligible veterans are given preference. Both veterans and nonveterans must meet the same requirements for loans.

Enterprises for which loans can be made include:

Repair Shop	Cabinet Shop
Service Station	Riding Stable
Restaurant	Sporting Goods Store
Grocery Store	Beauty Shop
Welding Shop	Custom Services
Roadside Stand	Camping Sites
Boarding Animals	Barber Shop

Who May Borrow?

Individuals, partnerships, joint operations, cooperatives, and corporations primarily and directly engaged in farming and ranching on family-size operations may apply. A "family-size" farm is one that a family can operate and manage itself with a reasonable amount of hired labor.

To be eligible, individual applicants must:

1. Be or intend to become the owner-operator of a not larger than family farm, or be a tenant on such a farm. If operating as a tenant, the applicant must have a satisfactory written lease for a sufficient period of time to provide a reasonable return on the nonfarm enterprise.
2. Have the experience or training to assure reasonable prospects of success in the proposed nonfarm enterprise. However, the applicant need not have personally operated this type of enterprise.
3. Possess the character (as relating to repayment ability), industry, and ability to carry out the nonfarm enterprise.
4. Manage and operate the nonfarm enterprise.
5. Be unable to obtain sufficient credit elsewhere at reasonable rates and terms.
6. Be a citizen of the United States (or a legal resident alien), which includes Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
7. Possess the legal capacity to incur the obligations of the loan.

Certain corporations, cooperatives, joint operations, and partnerships operating family-size farms are now

eligible for nonfarm enterprise loans. Such entities must meet some of the same eligibility requirements as individual applicants. In addition, if members of the entity are related by blood or marriage, at least one stockholder, shareholder, partner, or joint operator must operate the family-size farm. In other entities, the members holding a majority interest and the entity itself must operate the farm. The entity must be authorized to operate a farm in the State in which it is located.

Limited resource applicants who cannot repay loans at the standard interest rate also must meet the above requirements. In addition, they must have a low income and show a need for increased farm income. Limited resource partnerships, joint operations, cooperatives, or corporations must meet some of the same eligibility requirements as individual applicants. Your FmHA county office can explain eligibility rules in detail.

What May Loans Be Used For?

1. To provide essential service buildings, land, and facilities for the nonfarm enterprise.
2. To buy, rent, or repair necessary tools, equipment, facilities, and furnishings.
3. To pay operating expenses.
4. To refinance debts, pay loan closing costs and other necessary expenses.
5. To purchase inventories and supplies.
6. To pay the costs of organizing the nonfarm enterprise.
7. To develop water and waste disposal systems essential to the enterprise.
8. To construct roads, ditches, or power, gas, and water lines on land where easements or rights-of-way are obtained.

What Security Is Required?

Intermediate-term credit may be secured by liens on inventory, equipment, real estate, and fixtures. Each long-term loan will be adequately secured by real estate to protect the interests of the Government.

What Are The Loan Limits And Terms Of Repayment?

The amount of credit depends on the applicant's needs and ability to repay the loan as indicated in plans developed with the FmHA county supervisor.

FmHA can make intermediate-term loans of up to \$200,000 and can guarantee loans of up to \$400,000 made by banks and other authorized lenders for the purposes of financing equipment and operating expenses. Repayments are scheduled over 1 to 7 years and, in exceptional cases, may be rescheduled for up to 15 additional years.

Long-term loans also are available for real estate purposes, including purchase and construction of buildings. For these long-term loans, the maximum outstanding principal balance for FmHA loans is \$200,000 and for guaranteed loans the limit is \$300,000. In addition, the loan may not exceed the market value of the security, minus any liens against the property that will remain outstanding. The maximum repayment term is 40 years.

The interest rate for FmHA nonfarm enterprise loans is set periodically, based on the cost of borrowing to the Government.

A borrower may make large payments in years of high income to build a reserve that will keep the loan in good standing during years of low income. Each borrower must refinance the unpaid balance of the loan with private lenders when able to do so at reasonable rates and terms.

What Advisory Service Is Available To Borrowers?

Supervision and technical assistance will be provided borrowers to help achieve the objectives of the loan. This assistance may involve planning and analyzing the nonfarm enterprise, recordkeeping, and managing the business.

Where And How Are Applications Made?

Applications are made at the local county office of the Farmers Home Administration. The staff will be glad to discuss available services and explain how to prepare a written application.

What Other Loans Are Made By Farmers Home Administration?

Loans may be made to:

- Purchase and develop farms.
- Buy livestock and equipment.
- Pay farm and home operating expenses.
- Convert farms to outdoor recreation.

- Build or improve homes or farm buildings.
- Provide rental housing.
- Develop water and waste disposal systems and other community facilities.
- Refinance debts.
- Perform soil and water conserving measures.
- Provide employment and improve economic well-being through loans to establish business and industry.
- Finance modest projects for rural youths.



Farmers Home Administration is an Equal Opportunity Lender. Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, D.C. 20250.

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